

## TARIFF ACTION MEMO

**Date:** December 15, 2022

**Date Filed:** November 22, 2022

**Statutory End Date:** December 22, 2022

**File No:** TL41-305

**Name of Utility:** Mid-Alaska Pipeline, LLC (Mid-Alaska)

**Subject:** Monthly Service Payment Revision

### **Recommendation**

Staff recommends the Commission:

1. The Commission should approve Tariff Sheet No. 20, as filed in TL41-305 on November 22, 2022, attached to this memorandum in side-by-side format as Schedule JDW-1. The effective date of Tariff Sheet No. 20 should be January 1, 2023.

Please see attached Staff Memorandum supporting the above recommendation.

Signed: John White Title: Utility Financial Analyst  
John White

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Commission decision regarding this recommendation:

	Date (if different from <u>12/15/2022</u> )	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Kurber		<u>KKT</u>		
Doyle		<u>BD</u> BD		
Pickett		<u>BP</u>		
Sullivan		<u>DS</u>		
Wilson		<u>JW</u>		

\* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

## MEMORANDUM

To: Keith Kurber II, Chairman  
Robert A. Doyle  
Robert M. Pickett  
Daniel A. Sullivan  
Janis W. Wilson

Date: December 15, 2022

From: John White, Utility Financial Analyst

Subject: TL41-305

### Recommendation

1. The Commission should approve Tariff Sheet No. 20, as filed in TL41-305 on November 22, 2022, attached to this memorandum in side-by-side format as Schedule JDW-1. The effective date of Tariff Sheet No. 20 should be January 1, 2023.

### Background

In Order P-15-005(1),<sup>1</sup> the Commission accepted a Settlement Agreement between GVEA and Petro Star Inc. (Petro Star) which established the rate methodology and rates under which GVEA will provide, and Petro Star will receive pipeline services on the GVEA Pipeline System. During the term of the agreement, GVEA's total revenue requirement for each calendar operating year shall be equal to the sum of GVEA's annual pipeline operating expenses plus an annual minimum net operating income of \$300,000, which shall be divided into twelve equal installments, rounded to the nearest dollar, and invoiced monthly by GVEA.<sup>2</sup>

With Docket P-18-017 GVEA and Mid-Alaska filed a joint application requesting approval to transfer Certificate No. 305 from GVEA to Mid-Alaska Pipeline, LLC (Mid-Alaska).<sup>3</sup> GVEA and Mid-Alaska also filed a joint motion for expedited consideration, in

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<sup>1</sup> *Order Accepting Settlement Agreement, Approving Tariff Sheets, and Closing Docket*, dated February 13, 2015.

<sup>2</sup> *Petition for Acceptance of Settlement, and Approval of Tariff Sheets; and if Necessary, Granting of Interim and Refundable Rates*, January 30, 2015 (Petition), Exhibit 1, 2015 Settlement, page 3 of 9.

<sup>3</sup> *Joint Application for the Transfer of CPCN No. 305 from GVEA, Inc. to Mid-Alaska Pipeline, LLC*, filed August 23, 2018 (Joint Application).

which they requested a ruling on the joint application by December 14, 2018.<sup>4</sup> On December 14, 2018 the Commission granted the joint application to transfer Certificate of Public Convenience and Necessity (Certificate) No. 305 from GVEA to Mid-Alaska. The Commission amended Certificate No. 305 to reflect the current pipeline and facilities infrastructure, ordered that Certificate No. 305 be transferred to Mid-Alaska Pipeline, LLC effective the date of the closing of the transaction, and further required Mid-Alaska to file a tariff in its own name within ninety days after the filing of the tariff adoption notice reflecting the changes resulting from the transfer of Certificate No. 305.<sup>5</sup> As required in Order P-18-017(2), GVEA timely filed a notice that the transaction had closed. The closing took place on February 28, 2019.<sup>6</sup> On December 23, 2019, the Commission issued order P-18-017(3) granting acceptance of compliance filings by Mid-Alaska, approved Tariff Sheets and closed Docket P-18-017.<sup>7</sup> On December 10, 2019, Mid-Alaska filed TL38-305, which was Mid-Alaska's first tariff revision to include the current calculations of the shippers Pipeline Service Charges for calendar year 2020. TL38-305 reflected the 2020 monthly service payment calculated by Mid-Alaska of \$468,630. On January 6, 2020, the Commission approved Tariff Sheet No. 20 with an effective date of January 1, 2020.<sup>8</sup>

### **Filing**

On November 22, 2022, Mid-Alaska filed TL41-305, which revises Mid-Alaska's tariff to include the current calculations of the shippers Pipeline Service Charges for calendar year 2022. TL41-305 included Tariff Sheet No. 20, which reflects the 2022 monthly service payment calculated by Mid-Alaska of \$543,591, an increase of \$105,532 from the rate of \$438,059 previously approved in TL40-305.<sup>9</sup> Mid-Alaska requested the

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<sup>4</sup> *Joint Motion for Expedited Consideration*, filed August 23, 2018.

<sup>5</sup> Order P-18-017(2) *ORDER GRANTING JOINT MOTION FOR EXPEDITED CONSIDERATION, GRANTING JOINT APPLICATION, AMENDING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY NO. 305, AND REQUIRING FILINGS*, dated December 14, 2018.

<sup>6</sup> *Notice of Closing*, filed March 7, 2019.

<sup>7</sup> Order P-18-017(3) *ORDER GRANTING MOTION, ACCEPTING COMPLIANCE FILINGS, APPROVING TARIFF SHEETS, REDEISGNATING COMMISSION PANEL, AND CLOSING DOCKET*, dated December 23, 2019.

<sup>8</sup> Letter Order Number L2000006, dated January 7, 2020.

<sup>9</sup> Letter Order Number L2100429, dated December 29, 2021.

Commission approve TL41-305 with an effective date of January 1, 2023.<sup>10</sup>

### **Notice**

TL41-305 was noticed to the public on November 23, 2022, with a request that any comments in favor of, or in opposition to the filing be filed by no later than December 14, 2022.<sup>11</sup> In addition to the Commission's public notice, Mid-Alaska provided a copy of TL41-305, along with supporting schedules reflecting the estimated revenues and expenses, revenue requirements, and monthly service payments for calendar year 2022 to Petro Star.<sup>12</sup>

The Commission received one comment in support of Mid-Alaska's revision in TL41-305. Petro Star submitted a comment supporting Mid-Alaska's calculation of the 2023 rate.<sup>13</sup>

### **Discussion**

Staff requested the supporting schedules Mid-Alaska used to calculate the 2023 monthly service payment. Mid-Alaska provided Staff with the supporting schedules which included the estimated revenues, expenses, and calculations of the 2023 monthly service payment.<sup>14</sup>

Section 4.0 through 6.0 of the 2015 settlement agreement establishes the rate methodology and rates under which Mid-Alaska will provide, and Petro Star will receive pipeline services on the Mid-Alaska Pipeline System.<sup>15</sup>

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<sup>10</sup> TL41-305, Tariff Advice Letter, at page 2.

<sup>11</sup> Staff notes a public notice for the filing was published on the Commission's website, and parties were notified electronically. See TR2204548, dated November 23, 2022.

<sup>12</sup> TL41-305, Tariff Advice Letter, at page 2.

<sup>13</sup> TR2204690, Public Comment filed by Petro Star, December 7, 2022.

<sup>14</sup> On December 5, 2022, Mid-Alaska provided Excel spreadsheets with working links and calculations to Staff, with a request of confidentiality under 3 AAC 48.040(b)(10):

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests: (10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding.

<sup>15</sup> *Petition for Acceptance of Settlement, and Approval of Tariff Sheets; and if Necessary, Granting of Interim and Refundable Rates*, January 30, 2015 (Petition), Exhibit 1, 2015 Settlement, page 3-5 of 9.

Section 4.3.2 of the settlement agreement states “GVEA<sup>16</sup> will file an amendment to its Pipeline System Tariff No. 2 regarding the revenue requirements for each calendar operating year by the end of November of the proceeding calendar operating year at issue. For purposes of establishing the rates for the next calendar operating year, the revenue requirements shall be based on the January through October actual expenses and the estimated expenses for the remaining two months of the year including normalizing entries for known and measurable changes that will occur during the calendar operating year in which the rates will be in effect.”<sup>17</sup>

Staff reviewed the provided calculations and rates in accordance with the settlement agreement to verify mathematical accuracy and noted no exceptions.

### Tariff Sheet

TL41-305 included Tariff Sheet No. 20, which reflects the 2022 monthly service payment calculated by Mid-Alaska of \$543,591. Staff reviewed the provided calculations and rates in accordance with the settlement agreement to verify mathematical accuracy and noted no exceptions.

### **Conclusion**

Accordingly, Staff recommends the Commission approve Tariff Sheet No. 20, as filed in TL41-305 on November 22, 2022, attached to this memorandum in side-by-side format as Schedule JDW-1. The effective date of Tariff Sheet No. 20 should be January 1, 2023.

**Signature:** Keith Kurber II  
Keith Kurber II (Dec 15, 2022 08:58 AKST)  
**Email:** keith.kurber@alaska.gov

**Signature:** Bob Doyle  
Bob Doyle (Dec 15, 2022 09:13 AKST)  
**Email:** bob.doyle@alaska.gov

**Signature:** Robert M. Pickett  
**Email:** bob.pickett@alaska.gov

**Signature:** Daniel Sullivan  
Daniel Sullivan (Dec 15, 2022 11:46 AKST)  
**Email:** daniel.sullivan@alaska.gov

**Signature:** Janis W. Wilson  
Janis W. Wilson (Dec 15, 2022 13:50 AKST)  
**Email:** janis.wilson@alaska.gov

<sup>16</sup> On March 22, 2019, Mid-Alaska formally adopted GVEA's tariffs, including Tariff Sheet 20, requiring Mid-Alaska to adopt the rate calculation methodology.

<sup>17</sup> *Petition for Acceptance of Settlement, and Approval of Tariff Sheets; and if Necessary, Granting of Interim and Refundable Rates*, January 30, 2015 (Petition), Exhibit 1, 2015 Settlement, page 3 of 9.

RECEIVED

DEC 01 2021

RCA No. 305

Third Revision  
Canceling: Second Revision

Sheet No. 20  
Sheet No. 20 STATE OF ALASKA  
REGULATORY COMMISSION OF ALASKA

MID-ALASKA PIPELINE LLC.

Section C - RATES

APPLICATION

Shippers will pay a Monthly Service Payment established for each Shipper in this Section C – Rates for each Calendar Operating Year. Each Shipper is obligated to pay its share of the Revenue Requirements set for a Calendar Operating Year on a take-or-pay basis for that Calendar Operating Year. The Monthly Service Payment developed for a Calendar Operating Year, once set, shall continue in effect until the Commission issues an order changing those rates.

PIPELINE SERVICE CHARGES

1. Monthly Service Payment: \$438,059.00\* I

\*The amount of the Monthly Service Payment Mid-Alaska receives shall not change during the Calendar Operating Year. The Revenue Requirements that the Monthly Service Payment is derived from will be set annually for each Calendar Operating Year and be true-up following the end of year audit of pipeline financial records for that Calendar Operating Year as set forth in this Section C – Rates.

2. Revenue Requirements Determination:

The Calculation of the adjusted test year Revenue Requirements shall be performed for each Calendar Operating Year in the following manner:

- a. A projected test year ended December 31, normalized for known and measurable changes, will be used to determine the Revenue Requirements used for each upcoming Calendar Operating Year until an order is issued by the RCA changing the rates and/or rate methodology. The financial data for the projected test year ended December 31 will be developed using the actual expenses for January through October and the estimated expenses for November and December for the year preceding the upcoming Calendar Operating Year.

Tariff No: TL40-305

Effective: January 1, 2022

Issued by: Mid-Alaska Pipeline LLC.

By: Warren Christian

Title: President



RCA No. 305

Fourth Revision  
Canceling: Third Revision

Sheet No. 20  
Sheet No. 20

MID-ALASKA PIPELINE LLC.

Section C - RATES

APPLICATION

Shippers will pay a Monthly Service Payment established for each Shipper in this Section C – Rates for each Calendar Operating Year. Each Shipper is obligated to pay its share of the Revenue Requirements set for a Calendar Operating Year on a take-or-pay basis for that Calendar Operating Year. The Monthly Service Payment developed for a Calendar Operating Year, once set, shall continue in effect until the Commission issues an order changing those rates.

PIPELINE SERVICE CHARGES

1. Monthly Service Payment: \$543,591.00\* I

\*The amount of the Monthly Service Payment Mid-Alaska receives shall not change during the Calendar Operating Year. The Revenue Requirements that the Monthly Service Payment is derived from will be set annually for each Calendar Operating Year and be true-up following the end of year audit of pipeline financial records for that Calendar Operating Year as set forth in this Section C – Rates.

2. Revenue Requirements Determination:

The Calculation of the adjusted test year Revenue Requirements shall be performed for each Calendar Operating Year in the following manner:

- a. A projected test year ended December 31, normalized for known and measurable changes, will be used to determine the Revenue Requirements used for each upcoming Calendar Operating Year until an order is issued by the RCA changing the rates and/or rate methodology. The financial data for the projected test year ended December 31 will be developed using the actual expenses for January through October and the estimated expenses for November and December for the year preceding the upcoming Calendar Operating Year.

Tariff No: TL41-305

Effective: January 1, 2023

Issued by: Mid-Alaska Pipeline LLC.

By: Warren Christian

Title: President